



The Advisor

for our Active members

A semi-annual publication of the Massachusetts Teachers' Retirement Board as a service to its members

Fall 2005

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WHAT YOU'RE READING IN THE PAPERS IS TRUE—

Massachusetts educators are retiring in record numbers

*The number of retirements this year is **88 percent greater** than just five years ago*

During this past retirement season, the MTRB processed a record number of retirement applications and began paying monthly benefits to more than 3,500 new retirees.

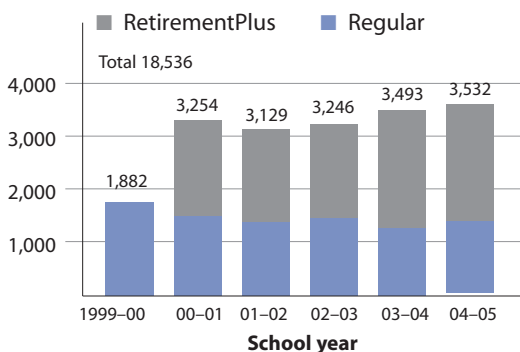
During the 1990s, the average number of retirees per year was 1,800. However, since 2001—which was also the year that RetirementPlus took effect—the numbers have increased dramatically. This year's class of retirees is 88 percent greater than just five years ago.

Even though the number of new retirements processed this year is the highest in our 91-year history, it is shy of the 4,000 we predicted. We believe that this is because next June will end the fifth of the first five years of the RetirementPlus program. Members who retire under RetirementPlus are required to contribute at

11 percent for a minimum of five years, or pay an equivalent accelerated cost out-of-pocket. To avoid this added expense, many teachers may have decided to wait to retire on June 30, 2006. In addition, members who were considering retiring this year have told us that economic factors, such as rising gasoline and oil prices, have influenced their decision to postpone their retirement for another year. The bottom line is that next summer is shaping up to be our biggest retirement season ever. So, if you are planning to retire next year, please see our checklist on page 3 and start now!

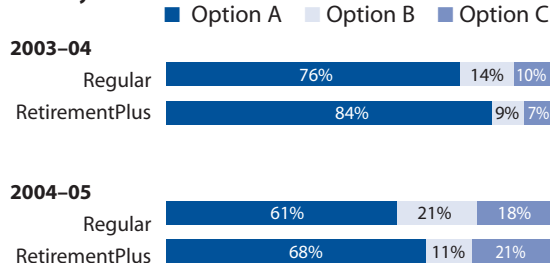
Another interesting statistic from this past retirement season is the significant shift in the distribution of retirement options selected. This year, many more retiring educators chose Options B and C because, effective July 1, 2004, the Governor and Legislature approved changing the factors used in the determination of those benefits, making them much more favorable to the retiree. ■

Recent retirements, by type and school year



Retirement option distribution for last two years, by type and school year

School year



An overview of the three retirement Options

Option	Benefit amount	Survivor benefit
A	Maximum allowance	None
B	BEFORE July 1, 2004: About 3-5% less than Option A amount. ON or AFTER July 1, 2004: About 1% less than Option A amount	One-time, lump-sum payment of balance, if any, remaining in member's annuity savings account.
C	BEFORE July 1, 2004: About 20-30% less than Option A amount. ON of AFTER July 1, 2004: About 9-11% less than Option A amount	Monthly benefits paid to a survivor.





Dr. David P. Driscoll
Commissioner of Education
and Chairman,
Massachusetts Teachers'
Retirement Board

FROM THE CHAIRMAN

Board pursues equitable benefits; Strong investment returns continue

We need to remain steadfast in our efforts to ensure adequate funding of our pension system. We were fortunate to come through the latest recession as well as we did and our investment performance continues to be very strong.

As financial stability is achieved, we must turn our attention to equitable benefits for our retired members and recently hired educators who will contribute significantly more for their benefits. The most disadvantaged group in our retirement system remains our oldest members who retired decades ago. Many of them are literally eligible for food stamps given the small pension they received at the time of retirement and the dramatic effects of inflation over the years.

We are encouraged by the latest attempts to increase the base allowance on which a COLA is granted; however, we continue to advocate for a long-term purchasing power protection strategy. We also continue to be concerned about our newest members who are paying the 11 percent

contribution rate. They will not receive the kind of added benefit many of us who have contributed at the rate of 5 percent for the majority of our careers will receive.

In keeping with our goals of stability and equity, your Board has filed legislation to guard against enhancements that may inflate the three-year salary average, such as the local practice of Enhanced Longevity Buy-Out programs (ELBOs), which add significant costs to the system and advantage only a fraction of the membership. We believe the assets of the pension system are better used by increasing COLA benefits for all of our retirees and establishing fair contribution rates for all members.

Best wishes,

BOARD MEMBERS

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Deputy Executive Director

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Assistant Executive Director

James H. Salvie
General Counsel

GOT QUESTIONS?

Attend one of our regional seminars— We're coming to your area!

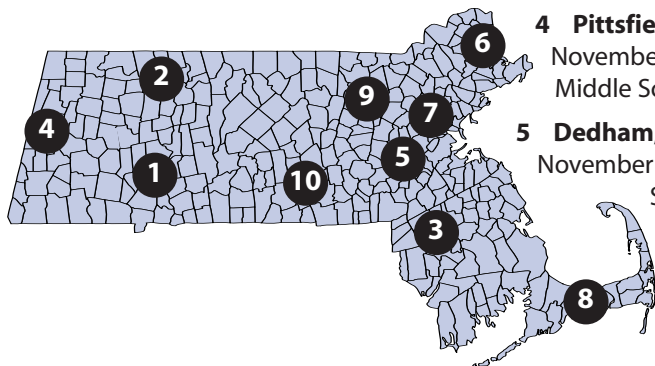
We will be presenting our popular seminar *Your MTRS Benefits*. This is a free, informal pre-retirement program for any member who wants more information about retirement benefits—whether you are retiring this year or in 20 years.

It covers such topics as:

- estimating your retirement benefits under the regular and RetirementPlus formulas;
- purchasing creditable service;
- Social Security issues—and more!

- 1 Holyoke**, Tuesday, November 15, Holyoke High School auditorium
- 2 Greenfield**, Thursday, November 17, Greenfield High School cafeteria
- 3 Taunton**, Monday, November 28, Taunton High School auditorium
- 4 Pittsfield**, Tuesday, November 29, Herberg Middle School
- 5 Dedham**, Wednesday, November 30, Dedham High School auditorium

- 6 Ipswich**, Thursday, December 1, Ipswich High School auditorium
- 7 Medford**, Monday, December 5, McGlynn School auditorium
- 8 Barnstable**, Monday, December 12, Barnstable High School, Knight Auditorium
- 9 Acton-Boxborough**, Wednesday, December 14, Acton-Boxborough Junior High School auditorium
- 10 Auburn**, Thursday, December 15, Auburn High School auditorium



**Simply register online at mass.gov/mtrb
at least a week before the program you wish to attend!**

Planning to retire this year?

Don't wait until the last minute—use our checklist so you'll be ready

We're gearing up to handle the **largest-ever** volume of retirement applications, expected at the end of the current school year. If you are among the nearly 5,000 members planning to retire this year, please follow this checklist of actions you need to take to help ensure a smooth transition to retirement.



Your retirement process checklist

When (in relation to your date of retirement)	Action
<input type="checkbox"/> 8-13 months before*	CONTACT your local health insurance coordinator to confirm the health insurance coverage for which you will qualify as a retiree. If you cover a spouse or other dependent, be sure to ask about dependent coverage while you are retired <i>and</i> in the event of your death.
<input type="checkbox"/> 7-8 months before	GO to our web site at mass.gov/mtrb , and then select Members > Active members > Creditable service . Review all of the types of service listed and apply to purchase any that apply to you and for which you have not yet established credit.
<input type="checkbox"/> 6 months before	GO to our web site at mass.gov/mtrb , and then select Members > Active members > Retiring from the MTRS > Regular ("superannuation") retirement . Carefully review all of the information, complete your online benefit estimate, and print your retirement application.
<input type="checkbox"/> 5 months before	COMPLETE Part 1 of the application and ask your payroll official to complete Part 2. GATHER all necessary documents listed on the application cover sheet.
<input type="checkbox"/> 4 months before	RECEIVE Part 2 from your payroll official and MAIL the complete application and all attachments to the MTRS.
<input type="checkbox"/> 2 months before	Be sure to have COMPLETED all service purchases. Full payment must be received before your date of retirement.

* If you are a RetirementPlus participant and you have contributed to the MTRS at the rate of 11 percent continuously since 7/1/2001, you will complete your commitment to contribute at 11 percent for a minimum of five years on June 30, 2006, and no accelerated payment will be necessary. If you have not contributed continuously since July 1, 2001 or if you plan to leave service before June 30, 2006, you will need to make an accelerated payment of your RetirementPlus contributions, and you should meet with your payroll officer to complete the necessary accelerated payment application right away.

**Questions? Come to one of our fall seminars—
See opposite page for details!**

*If you're retiring
at the end of this
school year,
you'll be in the
largest class of
retiring teachers
in our 91-year
history.*

*Retirement is
a major life
change, and
often an
emotional and
confusing time.*

*Prepare now,
so that the
process is
less stressful.*



Reports on retirement issues

Massachusetts Pension Reserves Investment Trust (PRIT) fund is performing extremely well

Back at the head of the class!

The recent TUCS (Trust Universe Comparison Report) Rankings as of June 2005 show the PRIT fund is once again ranked in the top 1 percent of public funds nationwide with over \$1 billion in assets. PRIT, which manages the assets of the State and Teachers' Retirement Systems, has achieved an average return over the last ten years of 10.65 percent. For the trailing year, PRIM places in the top fifth percentile nationwide, with a return of 13.41 percent; for the last two and three-year periods, PRIM placed in the third percentile and for the last five-year period, in the 21st percentile.

The assets of the state and teachers' retirement system as of July were \$37.5 billion, up \$1.5 billion from the end of 2004. Although the systems have made tremendous progress over the last 10 years, the state and teacher retirement systems are just over 70 percent funded. ■

Influential pension Commission recommends COLA base increase

MTRB persistence pays off

The Public Employee Retirement Administration Commission (PERAC) has recommended an increase of the base on which a cost-of-living-adjustment (COLA) is granted, from the current level of \$12,000 to \$16,000. The MTRB, along with representatives of the Retired, State, County and Municipal Employees Association, the Retired Educators Association of Massachusetts (REAM), and the State Retirement Board have championed this issue for the past few years and have been consulting with PERAC for the last year.

The PERAC recommendation is a critical milestone in the struggle to increase the COLA base. The PERAC recommendation will be forwarded to the Legislature and then referred to the Joint Committee on Public Service in the fall. The last boost in the COLA base occurred in 1997, when it jumped from \$9,000 to \$12,000. ■

Stay up to date on retirement issues—

Have retirement updates delivered right to your desktop when you **register to receive MTRB M@il!**

More than 19,000 active and retired members and retirees have now signed up. Just give us your e-mail address and you'll receive advance notice of upcoming seminars, important announcements and retirement news in quarterly updates. It's easy!

- 1) Go to **mass.gov/mtrb**.
- 2) Click on **MTRB M@il** in the left margin.
- 3) Complete the simple online form with your MTRB member status (active), name, MTRB member number (as shown on your Annual Statement) and your e-mail address.
- 4) Watch your e-mail for quarterly updates!

New e-mail address? No problem—just send your old and new addresses to us at **geninfo@trb.state.ma.us** and we'll update our records so that you don't miss any messages from us.



LEGISLATIVE UPDATES

Several teachers' pension initiatives are now before legislative committee

The MTRB is working for pension reform to benefit all members

The Joint Committee on Public Service held a public hearing September 15, 2005 to receive testimony on House Bill 529, *An Act Relative to the Recruitment, Retention and Portability of Teachers in the Commonwealth*, the MTRB's pension reform initiatives. As outlined in last winter's *Advisor*, our reform initiatives would:

- **Reduce** the employee contribution rate from current rates—9 percent plus 2 percent on earnings over \$30,000, and 11 percent—to 8.5 percent, to more equitably distribute the cost of benefits between employees and employers.
- **Increase** the amount of interest that is credited to a member's annuity account, to one-half of the

actuarial assumed rate of investment return of the State and Teachers' Retirement systems (approximate interest would be 4.125 percent).

- **Reduce** the vesting for retirement benefits for members from 10 years to 5 years.
- **Amend** the definition of regular compensation in order to clarify the exclusion of temporary or nonpermanent salary enhancements or augmentations from pensionable earnings.

In addition to these initiatives, several other legislative proposals on these same topics were considered. We will be following these measures very closely as they work their way through the legislative process. Please check mass.gov/mtrb for more Legislative news. ■

Vocational work experience service purchase approved

Senate Bill 2057, which takes effect on December 14, allows certain certified vocational-technical educators to purchase up to three years of service credit for their prior experience in their occupational field.

To be eligible, a member must:

- have at least 10 years of membership service;
- be a member in service of the MTRB at the time of application (this means actively contributing to the MTRS or on certain authorized leaves of absence);
- have held a certification from the Department of Education as a vocational-technical educator under Chapter 74; and
- have become employed in a position that required Chapter 74 certification.

Retirees and inactive members are not eligible. The cost of the purchase will be based on 10 percent of the member's starting salary as of his or her most recent date of membership in the MTRS, for each year to be purchased, plus buyback interest at 4.125 percent. At this time, we are clarifying certain details in the new law, and preparing the

necessary materials and computer system updates so that eligible members may take advantage of this new service purchase when it takes effect in December. We will post additional information, as well as the application form, on our web site, so please visit us at mass.gov/mtrb in the coming months.

If you believe that you are eligible to apply for this new type of service purchase, please be sure to attend one of our seminars especially for vocational-technical educators—see mass.gov/mtrb for details and to register online for an upcoming program! ■

Leaders from DOE, the Massachusetts Vocational Association (MVA) and the Massachusetts Association of Vocational Administrators (MAVA) have provided great technical and administrative support to ensure that this new legislation is implemented smoothly and on time. We can't thank them enough for all of their help.

—Joan Schloss,
MTRB Executive Director



Taking stock at the three-quarter mark: 2005 in review

As we've told you in past issues, the Board and staff have worked hard to implement several major technology initiatives—and these are now paying off in more efficient services to you

*The MTRB Advisor is written and produced by the Massachusetts Teachers' Retirement System. We welcome letters from our readers and encourage you to send your comments to: Advisor
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As 2005 draws to an end, we are happy to report that the Massachusetts Teachers' Retirement Board has implemented certain changes to improve the quality of service to our members, both active and retired. Most notably, we have taken measures to make the retirement application process more expedient. We now have an online retirement application and an estimator, which allows members to see their estimated retirement benefit. Furthermore, we consolidated the Option Selection Form with the retirement application, which has streamlined the process resulting in one of the most efficient retirement seasons to date. As of September 30th, we have processed over 3,500 retirement applications and 95 percent of the members who filed on time with a June 30th retirement date received their first check by September. As a final step in the retirement process, the Board implemented a Notice of Estimated Retirement Benefit (NERB) form that is sent to each applicant providing the factors that were used in arriving at the benefit amount. This communication ensures that applicants have an opportunity to review the calculations and contact the Board if they are in need of clarification. If you are getting ready to retire in 2006, please review the checklist provided in this newsletter to get you started (*page 3*).

We have also continued our educational initiatives for members. During this past year we held close to 60 educational seminars throughout the Commonwealth and were able to reach over 3,500 members. The use of e-mail has proven to be an extremely effective tool for communicating with members.

During the past year we have responded to approximately 3,600 emails. And we encourage

members to utilize this tool to expedite a timely response. With the changes made to the interest rate for certain service purchases and being in the fourth year of the RetirementPlus program, our web site was extremely busy.

During April, as part of an agency reorganization, a Retiree Services Unit was established with a staff dedicated to meet the service requests from our expanding retiree population.

One of the key initiatives of the new Retiree Services Unit is to develop a Retired Member Benefits seminar to focus on the issues impacting retirees.

While the improvements that we have made to the retirement application process have proven to be successful, the Board is very much aware of the backlog of member requests for creditable service purchases and creditable service and retirement projections. In order to deal with this backlog and to prepare for another record-breaking retirement season in 2006, the Board authorized the hiring of new staff. Hiring has occurred and training of the new staff is underway. The Board remains fully committed to bringing educators the best service in administering their retirement plan. The staff joins in this commitment. ■

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Member Q&A

I am considering leaving public teaching service.

If I do, what are my choices as far as what to do with my MTRS account?

As a member of the MTRS, you have an annuity savings account that we maintain on your behalf for your retirement. To find out how much money you have in your annuity savings account, either:

- refer to your MTRS annual account statement, which we mail to members in the spring; or
- contact our Boston office, at 617-878-2890, to request a statement of your account balance.

While you are an active member of the MTRS, you are not eligible to withdraw any portion of your account balance. Likewise, you may not borrow money from your account or assign your account, nor may your account be attached by a lien, except by the Internal Revenue Service or the Massachusetts Department of Revenue.

If, however, you **leave** Massachusetts public teaching service temporarily or permanently, don't forget about your annuity savings account. You will need to decide what to do with your account, and, depending on your eligibility, you may have three choices:

- 1) **withdraw** your account ("take a refund");
- 2) **leave** your funds on account with us until you:
 - return to Massachusetts public service;
 - decide to take a refund, subject to interest limitations; or
 - become eligible for a retirement allowance; or
- 3) **apply** for a retirement allowance.

For more information, please visit mass.gov/mtrb, and select **Members > Active members > Leaving MTRS service prior to retirement**.

When the MTRB calculates creditable service for teachers who become administrators, when is a year **not** a "year"?

The number of years of creditable service that a member has is very important, especially when it comes time to retire: It is one of the three factors in the benefit calculation formula (age and three-year salary average are the other two), and, generally, more years of creditable service mean a greater retirement benefit amount.

While creditable service is earned by all educators who are employed on at least a half-time basis and who are contributing members of the MTRS, it is computed differently for teachers and administrators because of the difference in the terms of their contracts (807 CMR 3.02). All members—teachers and administrators—employed on a full-time basis will earn one year of creditable service for each contract year completed.

The concept is simple, and the calculation of creditable service is straightforward for members who have *all* teaching

or *all* administrative service. However, **in the case of a teacher who becomes an administrator, the calculation of creditable service for the member's first year as an administrator can be complicated**, depending on when in the contract year she begins the administrative position.

Teachers typically work on a 10-month schedule; their membership service is earned in *tenths* of a year, or 0.10 year for each month worked (full-time). Administrators, however, typically work on a 12-month schedule, so their membership service is earned in *twelfths* of a year, or 0.0833 year for each month worked (full-time).

What this means is that, depending on when a member leaves teaching service and begins employment as an administrator, she may not receive 1.0 year credit for her first "year" as an administrator (*see below*). ■

Q: I worked as a teacher for the entire 2003–04 school year (through June 30). I then began employment as an administrator in the following September, and worked through the full 2004–05 school year. Even though I had no break in service, I am being credited with less than two full years of service—just 1.8330 years. Why?

A: Because your administrator's contract is on a 12-month term, starting July 1. Since you began employment two months into the term, you receive credit for 10/12ths of a year (0.8330 year). If you began employment on July 1 instead of September 1, then you would have received one full year of credit for your first year as an administrator.

Position	Period worked	Number of months	Contract term	Creditable service earned
Teacher	9/1/2003 – 6/30/2004	10	9/1/2003 – 6/30/2004 10 months; 1 mo = 0.1000 yr	1.0000 year 10 mos x 0.1000 yr/mo
Administrator	9/1/2004 – 6/30/2005	10	7/1/2004 – 6/30/2005 12 months; 1 mo = 0.0833 yr	0.8330 year 10 mos x 0.0833 yr/mo
Total creditable service for 2003–04 and 2004–05 school years:				1.8330 years



What's new!

**It's true—
Massachusetts educators
are retiring in record numbers** 1

*Each year's class of retiring educators
has steadily increased, and we expect to
set a record again next year*

**Come to one of our
fall seminars!** 2

*Get retirement information directly
from the source—Please register online!*

**Retiring within a year?
Check our checklist!** 3

*Don't wait until the last minute—
keep track on the retirement checklist!*

Plus reports, Q&A and legislative updates!



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PLEASE TAKE NOTE OF OUR UPCOMING CHANGES—

We're getting an extreme makeover!

*We've just launched our redesigned web site—and in the spring,
we'll be changing our name from MTRB to **MTRS** and relocating our Boston office!*

In the spring of 2006, our agency will be entering a period of new beginnings. At that time, the lease on our Boston office will expire and we'll be moving to a new location. We're currently working with the state's Department of Capital Asset Management to find a new space—one that is easily accessible to members and staff—and will announce our relocation plans to our members and constituents as soon as they're finalized.

Since we'll need to reprint all of our stationery and forms to reflect our new address, we're taking this opportunity to officially change our name to the **Massachusetts Teachers' Retirement System (MTRS)**. We want our name to reflect that we are a much larger group—comprised not only of the Board, but also of active and retired members, employer representatives and our staff—and we function as a "system," all interdependent. We'll reveal our new logo early next year, but please be assured that when you get mail from the **MTRS**, it's still us.

